GOVERNMENT OF INDIA
URBAN DEVELOPMENT AND POVERTY ALLEVATION
LOK SABHA

UNSTARRED QUESTION NO:3731
ANSWERED ON:08.04.2003
FINANCIAL ASSISTANCE BY ITALY
MAHBOOB ZAHEDI

Will the Minister of URBAN DEVELOPMENT AND POVERTY ALLEVATION be pleased to state:

(a) whether the Government of Italy have extended a financial assistance of Rs.100 crore at a very nominal interest rate of 0.5% under Italian Assistance for Solid Waste Managementand Water Supply Projects towards development work of 15 Municipalities in West Bengal;

(b) if so, whether Government of West Bengal is also to bear further Rs.25 crore towards the developmental project jobs of installing of underground deep pipe to carry drinking water and waste substances;

(c) if so, the details thereof;

(d) whether it is a fact that Italian Financial assistance has to be rapaid in 35 years and no amount has to be repaid for 24 years to the Government of Italy;

(e) if so, whether the Union Government have fixed up 12.5% interest to West Bengal Government on 70% of the Italian assistance and 30% as Central Government grant; and

(f) if so, the reasons for charging such high interest on Italian assistance from the Government of West Bengal particularly when the assistance is being received from Italian Government at 0.5% interest rate?

Answer

MINISTER OF STATE IN THE MINISTRY OF URBAN DEVELOPMENT & POVERTY ALLEVIATION (SHRI PON RADHAKR)

(a)to(f): Ministry of Finance (Department of Economic Affairs) havereported that by a Bilateral Agreement recently concluded between the Government of India (GOI) and the Govt.of Italy, the latter has agreed to extend a financial assistance of 50 Billion Italian Liras (approx. Rs.120 crore or US $ 24 million)) in the form of a soft loan carrying an annual interest rate of 0.5% for the Project `Water Supply and Solid Waste Management in 14 selected towns in West Bengal` subject to fulfillment of certain conditions. The repayment period of loan is 35 years, with a grace period of 24 years. They have further reported that the external assistance received from various multilateral and bilateral agencies is passed on by the GOIto States as Additional Central Assistance (ACA).The current framework of ACA for Externally Aided Projects (EAPs)has evolved over a period. The ACAs are passed on to the States on the same terms and conditions as Central assistance for State plans as detailed below:

- For States not falling under the Special categorystatus like West Bengal, funds are passed on in the ratio of 70% loan:30% grant whether the external assistance is by way of grants or by way of loans.

- The Central Government issues instructions regarding repayment period, interest rate etc. from time to time. With effect from 1.4.2003 the loans extended by Central Government to State Governments carry an interest rate of 10.5% per annum.

- Any exception to the general policy is notified specifically.

Thus in this transformation of external assistance into ACA, the orginal terms and conditions of assistance are recast as the Central Government bears the foreign exchange as well as some additional costs.